

NORWAY-VULCAN AREA SCHOOL DISTRICT

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Norway-Vulcan Area School District**, Norway, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

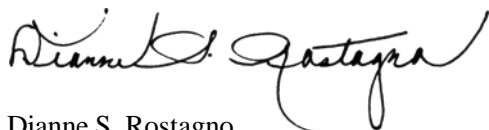
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007, on our consideration of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information on pages 8 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Norway-Vulcan Area School District**, Norway, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 12, 2007

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

The **Norway-Vulcan Area School District** is a K-12 school district located in Dickinson County, Michigan.

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Norway-Vulcan Area School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds, including Debt Service, Capital Projects, and the School Service Funds, which are comprised of Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-wide Financial Statements

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.

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The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Summary of Net Assets:

The following summarizes the comparative net assets at fiscal years ended June 30, 2007 and June 30, 2006:

NET ASSETS SUMMARY

June 30, 2007

Assets

Current Assets	\$ 4407553
Capital Assets	17115516
Less: Accumulated Depreciation	<u>(6956165)</u>
Capital assets, net book value	10159351

Total Assets

14566904

Liabilities

Current Liabilities	1062050
Long-term Liabilities	<u>9019024</u>

Total Liabilities

10081074

Net Assets

Investment in capital assets, net of related debt	948118
Reserved for Debt Service	121198
Reserved for Capital Projects	1354586
Reserved for Food Service	20084
Reserved for Bookstore	4116
Reserved for Athletics	11262
Unreserved and Undesignated	<u>2026466</u>

Total Net Assets

4485830

Total Liabilities and Net Assets

\$ 14566904

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Summary of Net Assets: (Continued)

	<u>June 30, 2006</u>
<u>NET ASSETS SUMMARY</u>	
Assets	
Current Assets	\$ 4578869
Capital Assets	17015448
Less: Accumulated Depreciation	<u>(6512835)</u>
Capital assets, net book value	10502613
Total Assets	\$ <u>15081482</u>
Liabilities	
Current Liabilities	1209222
Long-term Liabilities	<u>9605033</u>
Total Liabilities	10814255
Net Assets	
Investment in capital assets, net of related debt	736380
Reserved for Debt Service	149030
Reserved for Capital Projects	1342337
Reserved for Food Service	5101
Reserved for Bookstore	3817
Reserved for Athletics	1596
Unreserved and Undesignated	<u>2028966</u>
Total Net Assets	4267227
Total Liabilities and Net Assets	\$ <u>15081482</u>

Analysis of Financial Position

During fiscal year ended June 30, 2007, the District's net assets increased by \$ 218,603. A few of the significant factors affecting net assets during the year are discussed below:

Norway-Vulcan Area Schools

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A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$ 50,870 after transfers out to other funds. The fund balance of the Debt Service Fund decreased by \$ 27,832. The Capital Projects Fund fund balance increased by \$ 12,249, and the fund balances of other non-major governmental funds increased by \$ 24,948.

B. Debt, Principal Payments

The District's long-term debt activity is as follows:

	Principal Balance 06/30/06	Additions	Principal Payment Applied	Principal Balance 06/30/07
1999 Serial Bonds	\$ 210000	\$ -0-	\$ 60000	\$ 150000
2003 Refunding Bonds	5055000	-0-	470000	4585000
2005 Refunding Bonds	3595000	-0-	25000	3570000
Michigan School Bond Loan Fund	874677	-0-	-0-	874677
Durant Resolution Bonds	31556	-0-	-0-	31556
Accrued Long-term Sick Leave	<u>406161</u>	<u>-0-</u>	<u>48370</u>	<u>357791</u>
Totals	\$ 10172394	\$ -0-	\$ 603370	\$ 9569024

C. Net Investment in Capital Assets

The District's net investment in capital assets is as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Capital Assets	\$ 17015448	\$ 100068	\$ -0-	\$ 17115516
Less: Accumulated Depreciation	<u>(6512836)</u>	<u>(443329)</u>	<u>-0-</u>	<u>(6956165)</u>
Net Investment in Capital Assets	\$ 10502612	\$ (343261)	\$ -0-	\$ 10159351

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Results of Operations:

For the fiscal years ended June 30, 2007 and June 30, 2006, the comparative District-wide results of operations were as follows:

	<u>June 30, 2007</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 849577
Property taxes, levied for debt service	967562
Other local taxes and fees	26348
State Aid, Unrestricted	5413858
Interest and Investment Earnings	178007
Other general revenues	<u>130801</u>
	7566153
<i>Operating Grants</i>	
Federal	274665
State of Michigan	220827
Other operating grants	<u>0</u>
<i>Total Operating Grants</i>	495492
Capital Grants	0
<i>Charges for Services</i>	
Tuition	73142
Food Service	152641
Athletics	41127
Other	<u>600</u>
<i>Total Charges for Services</i>	267510
Total Revenues	\$ 8329155

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Results of Operations: (Continued)

	<u>June 30, 2007</u>
Expenses	
Instruction	\$ 4762375
Support Services	1929897
Food Services	274201
Athletics	181578
Bookstore	301
Interest on long-term debt	491491
Other Costs	0
Depreciation (Unallocated)	443329
Intergovernmental payments	<u>27380</u>
Total Expenses	\$ 8110552
 INCREASE IN NET ASSETS	 218603
 BEGINNING NET ASSETS	 4267227
 ENDING NET ASSETS	 \$ 4485830

	<u>June 30, 2006</u>
Revenues	
General Revenues	
Property taxes, levied for general operations	\$ 734139
Property taxes, levied for debt service	914489
Other local taxes	120582
State Aid, Unrestricted	5424407
Interest and Investment Earnings	116926
Other general revenues	<u>105784</u>
 Total General Revenues	 \$ 7416327

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Results of Operations: (Continued)

	<u>June 30, 2006</u>
<i>Operating Grants</i>	
Federal	\$ 327443
State of Michigan	242128
Other operating grants	<u>0</u>
Total Operating Grants	569571
Capital Grants	0
Charges for Services	
Tuition	\$ 62764
Food Service	167724
Athletics	39841
Other	<u>1086</u>
Total Charges for Services	271415
Total Revenues	\$ 8257313
Expenses	
Instruction	\$ 4744082
Support Services	1995771
Food Services	299334
Athletics	204775
Bookstore	861
Interest on long-term debt	363003
Other Costs	768
Depreciation (Unallocated)	443542
Intergovernmental payments	<u>28047</u>
Total Expenses	\$ 8080183
INCREASE IN NET ASSETS	177130
BEGINNING NET ASSETS, UNADJUSTED	4334885
Adjust to account for defeasement of debt, net	(244788)
BEGINNING NET ASSETS, ADJUSTED	<u>4090097</u>
ENDING NET ASSETS	\$ 4267227

Norway-Vulcan Area Schools

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1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The **Norway-Vulcan Area School District's** foundation allowance was \$ 7,085 per student for the 2006-2007 school year.

Student Enrollment

The District's pupil enrollment for state aid membership for the 2006-2007 fiscal year was 894.58. The District's enrollment decreased slightly from the prior year's student count. The following summarizes the state aid membership (student enrollments) for the past five years:

	Student FTE
2006-2007	894.58
2005-2006	911.54
2004-2005	938.44
2003-2004	969.21
2002-2003	1004.34

2. Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less.

At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

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Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$ 849,577. The non-homestead property tax levy increased by approximately \$115,438 over the prior year.

The following summarizes the District's non-homestead property tax levy for the past five years:

	Non-Homestead Tax Levy	Percent Increase From Prior Year
2006-2007	\$ 849577	15.72
2005-2006	734139	2.61
2004-2005	715402	3.85
2003-2004	688900	3.02
2002-2003	668685	2.85
2001-2002	650163	4.28

Average increase over last five years: 5.39 %

3. Debt Service Fund Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2007, the District's debt millage levy was 7.43 mills, which generated revenue of \$ 967,562.

4. Food Sales to Students and Adults (School Lunch Program)

The District's food sales to students decreased by \$ 871. Food sales to adults increased by \$ 85, and Ala Carte sales decreased by \$ 14,352 during this same period. Sale of milk increased by \$ 66.

Norway-Vulcan Area Schools

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General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements. General Fund budgetary highlights are as follows:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 6935519	\$ 6997930	\$ 6902381	\$ (33138)	\$ (95549)

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 7073088	\$ 7049556	\$ 6803251	\$ 269837	\$ 246305

Actual revenues were lower than both the original and the final amended budgets, coming in at \$ 6,902,381, a decrease of \$33,138.

Budgeted expenditures were decreased by \$23,532 from the original budgeted amounts, representing an approximate .33 percent decrease.

Major Capital Events and Significant Accomplishments

During the 2006-2007 school year, the District's accomplishments included:

- Michigan Education Assessment Program test scores well above state and county averages.

Norway-Vulcan Area Schools

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Major Capital Events and Significant Accomplishments (Continued)

- Michigan Education Assessment Program test scores well above
- Composite score of 'A' on the Michigan Department of Education ED Yes! School Report Card.
- All three buildings met the Adequate Yearly Progress criteria as determined by the federal No Child Left Behind legislation and the United States Department of Education.
- Over eighty (80) percent of graduates attending post-secondary institutions.
- Revision of District curriculum to align with Michigan Department of Education Grade Level Content Expectations and the Michigan Merit Curriculum.
- Upgrade of football field press box.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Norway-Vulcan Area School District
School Business Office
300 Section Street
Norway, Michigan 49870

BASIC FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash and Investments (Note 3)	\$ 3,363,696
Receivables	
Taxes	11,751
Accounts Receivable	15,110
Due from Other Governmental Units	970,353
Inventories	2,533
Prepaid Expense	<u>44,110</u>
Total Current Assets	\$ 4,407,553
<i>Noncurrent Assets</i>	
Capital Assets (Note 5)	17,115,516
Less: Accumulated Depreciation (Note 5)	<u>(6,956,165)</u>
Total Noncurrent Assets	<u>10,159,351</u>
TOTAL ASSETS	\$ 14,566,904
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts Payable	17,948
Accrued Salaries and Benefits	494,102
Deferred Revenue	-
Bonds Payable, Due within one year (Note 8)	<u>550,000</u>
Total Current Liabilities	1,062,050
<i>Noncurrent Liabilities</i>	
Bonds Payable (Note 8)	8,661,233
Compensated Absences Payable	<u>357,791</u>
Total Noncurrent Liabilities	9,019,024
TOTAL LIABILITIES	\$ 10,081,074
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	948,118
Reserved for Debt Services	121,198
Reserved for Capital Projects	1,354,586
Reserved for Food Service	20,084
Reserved for Bookstore	4,116
Reserved for Athletics	11,262
Unreserved and Undesignated	<u>2,026,466</u>
TOTAL NET ASSETS	<u><u>\$ 4,485,830</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Activities</u>
				<u>Net(Expense) Revenue and Changes in Net Assets</u>
Primary Government -				
Government Activities:				
Instruction	\$ 4,762,375	\$ 73,142	\$ 317,052	\$ (4,372,181)
Support Services	1,929,897		41,965	(1,887,932)
Food Services	274,201	152,641	136,475	14,915
Athletics	181,578	41,127		(140,451)
Bookstore	301	600		299
Interest on Long-Term Debt	491,491		-	(491,491)
Other Costs	-			-
Depreciation (Unallocated)	443,329			(443,329)
Intergovernmental Payments	<u>27,380</u>			<u>(27,380)</u>
Total Governmental Activities	\$ 8,110,552	\$ 267,510	\$ 495,492	\$ (7,347,550)
General Revenues:				
Taxes:				
Property taxes levied for general operations				849,577
Property taxes levied for debt service				967,562
Other Taxes and fees				26,348
State Aid, Unrestricted				5,413,858
Interest and Investment Earnings				178,007
Other				<u>130,801</u>
Total General Revenues				7,566,153
Change in Net Assets				218,603
NET ASSETS - BEGINNING OF YEAR				4,267,227
NET ASSETS - END OF YEAR				\$ 4,485,830

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ 1,862,481	\$ 116,613	\$ 1,354,586
Receivables:			
Taxes	7,166	4,585	-
Accounts Receivable	15,110	-	-
Due from Other funds	-	-	-
Due from Other Governmental Units	967,440	-	-
Inventories	-	-	-
Prepaid Expense	44,110	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,896,307	\$ 121,198	\$ 1,354,586
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	17,948	-	-
Accrued Salaries and Benefits	494,102	-	-
Due to Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	512,050	-	-
<u>FUND BALANCES</u>			
Unreserved and undesignated	2,384,257	-	-
Reserved for Debt Service		121,198	
Reserved for Capital Projects			1,354,586
Reserved for Food Service			
Reserved for Bookstore			
Reserved for Athletics	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	2,384,257	121,198	1,354,586
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 2,896,307	 \$ 121,198	 \$ 1,354,586

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

Nonmajor Governmental Funds	Total Governmental Funds
\$ 30,016	\$ 3,363,696
	11,751
	15,110
	-
2,913	970,353
2,533	2,533
-	44,110
\$ 35,462	\$ 4,407,553
-	17,948
	494,102
-	-
-	512,050
-	2,384,257
	121,198
	1,354,586
20,084	20,084
4,116	4,116
11,262	11,262
35,462	3,895,503
\$ 35,462	\$ 4,407,553

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

June 30, 2007

Total Fund Balances - Governmental Funds	\$ 3,895,503
---	---------------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	17,115,516
Accumulated depreciation is:	(6,956,165)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable	(9,211,233)
Compensated Absences/Other Benefits	(357,791)

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Total Net Assets - Governmental Activities	<u>\$ 4,485,830</u>
---	----------------------------

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>
<u>REVENUE</u>		
Local Revenue	\$ 1,129,506	\$ 1,018,659
State Revenue	5,615,988	-
Federal Revenue	130,608	-
Interdistrict and Other	26,279	-
	<hr/>	<hr/>
TOTAL REVENUE	\$ 6,902,381	\$ 1,018,659
<u>EXPENDITURES</u>		
Current:		
Instruction	4,830,602	-
Support Services	1,945,269	-
Community Services	-	-
Food Services	-	-
Athletics	-	-
Bookstore	-	
Debt Service	-	
Principal	-	555,000
Interest and Fees	-	490,231
Other costs	-	1,260
Capital Outlay	-	-
Intergovernmental Payments	27,380	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 6,803,251	\$ 1,046,491
Excess (Deficiency) of Revenues Over Expenditures	99,130	(27,832)
<u>Other Financing Sources (Uses)</u>		
Operating transfers in	-	-
Operating transfers out	(150,000)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(150,000)	-
Net Change in Fund Balances	(50,870)	(27,832)
FUND BALANCE- BEGINNING OF YEAR	2,435,127	149,030
	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	\$ 2,384,257	\$ 121,198
	<hr/> <hr/>	<hr/> <hr/>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2007

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 77,087	\$ 194,553	\$ 2,419,805
-	14,213	5,630,201
-	122,262	252,870
-	-	26,279
\$ 77,087	\$ 331,028	\$ 8,329,155
-	-	4,830,602
		1,945,269
-	274,201	-
-	181,578	274,201
-	301	181,578
-	-	301
-	-	-
-	-	555,000
-	-	490,231
64,838	-	1,260
-	-	64,838
		27,380
\$ 64,838	\$ 456,080	\$ 8,370,660
12,249	(125,052)	(41,505)
-	150,000	150,000
-	-	(150,000)
-	150,000	-
12,249	24,948	(41,505)
1,342,337	10,514	3,937,008
\$ 1,354,586	\$ 35,462	\$ 3,895,503

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (41,505)
---	--------------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities; these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(443,329)
Capital Outlay	100,068

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

555,000

Increases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

48,369

Bond proceeds are included as other financing sources in the
governmental fund statements

Change in Net Assets of Governmental Activities	\$ 218,603
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The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

ASSETS

Cash, Deposits, and Investments	<u>\$ 384,521</u>
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TOTAL ASSETS	<u>\$ 384,521</u>
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LIABILITIES

Due to Student Groups	<u>88,763</u>
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TOTAL LIABILITIES	\$ 88,763
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NET ASSETS

Reserved for Scholarships	<u>237,832</u>
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TOTAL NET ASSETS	<u>\$ 295,758</u>
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The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2007

	Private Purpose Trust Fund Scholarship Fund
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 75,890
Investment Earnings	11,801
TOTAL ADDITIONS	\$ 87,691
<u>DEDUCTIONS</u>	
Scholarships Awarded	29,765
Other	-
TOTAL DEDUCTIONS	\$ 29,765
<i>Change in Net Assets</i>	57,926
Net Assets - Beginning of year	237,832
Net Assets - End of year	<u>\$ 295,758</u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the **Norway-Vulcan Area School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies of the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The District generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

The criteria applied for designation as a major fund is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or other element taken one at a time would have to pass both the 10% test and the 5% test for the fund to be required to be reported as a major fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation**

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

General Fund

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

For district-wide reporting purposes, the General fund is always a major fund.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

The Capital Projects Fund is considered to be a major fund for district-wide reporting.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Debt Retirement Fund

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

The Debt Retirement Fund is considered to be a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Special Revenue Funds (Continued)

The School Service Funds maintained by the School District are the Food Services Fund, Athletic Activity Fund, and the Bookstore Accounts. They are reported as non-major funds in the district-wide statements.

Fiduciary Funds

These funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund (Agency Fund), and a Scholarship Fund (Private-Purpose Trust Fund). These funds are segregated and held in trust for the students.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Property Taxes

Property taxes are levied on July 01 and payable by September 15 each year. They are considered delinquent if unpaid as of March 01 of the following year. Property taxes are recognized when they become available.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The Counties of Dickinson and Menominee purchase all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District levied 18 operating mills (non-homestead only), and 7.43 mills for debt retirement on its taxable valuation of \$130,047,853.

State Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The State portion of the foundation grant is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2006 through August 2007. The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursement programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles is reported in the applicable governmental column in the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Unemployment

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2007 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Sick Leave

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of sick leave as defined.

Instructional

Upon termination of employment due to retirement or death and under the provisions of the contract between the Board of Education of the **Norway-Vulcan Area School District** and the U.P. Education Association for the fiscal year 2006-2007, teachers are paid on a sliding scale based on the number of sick days accumulated, ranging from \$10 to \$40 per day for each sick day accumulated, compensated at the highest rate they are eligible to receive. To qualify, a teacher must have a minimum of 7 years of service with the School District.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick Leave (Continued)

Non-instructional

Upon retirement, non-instructional employees (per Union Agreement between the Board of Education (NVA) and the Michigan Educational Association Support Personnel Association, receive benefits based on the number of sick days accumulated. These benefits range from \$10 to \$30 per day for each sick day accumulated. With the attainment of 20 years of service with the District, the retiree will be eligible for \$25 per year for each year of service upon retirement.

At June 30, 2007, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$397,546. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$39,755. It is estimated that the long-term liability (calculated at the applicable percentage and rate at retirement) is approximately \$357,791.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

On this basis, the District recognizes the value of USDA donated commodities (bonus and non-bonus) received and expended in the amount of \$8,636 for entitlement commodities, and bonus commodities of \$155.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

**Excess of Expenditures Over Appropriations in
Budgetary Funds**

Budget Violations

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

The **Norway-Vulcan Area School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Norway-Vulcan Area School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2006-2007 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$1,898, contrary to the provisions of Section 17, of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
At Risk Program	\$ 118945	\$ 118625	\$ 320
Board of Education	40302	38992	1310
<u>Bookstore Fund</u>	301	33	268

Fund Deficits

At June 30, 2007, the School District had no fund deficit in any fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the School District or its agent in the School District's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

Category 3

Deposits which are not collateralized or insured.

Based on these three levels of risk, the School District's cash deposits are classified as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 200000	\$ -0-	\$ 3542705	\$ 3742705

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 3363696	\$ 379009	\$ 3742705
Investments	<u>0</u>	<u>5512</u>	<u>5512</u>
Total	\$ <u>3363696</u>	\$ <u>384521</u>	\$ <u>3748217</u>

The breakdown between deposits and investments for the School District is as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (checking and savings accounts, certificates of deposit)	\$	3742430
Investment in securities, mutual funds, and similar		
Vehicles		5512
Petty cash/Cash on hand		<u>275</u>
Total	\$	<u>3748217</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 3,742,430, of which \$200,000 is covered by federal depository insurance.

Investments are categorized into these categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name;

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At June 30, 2007, the School District's investment balances were categorized as follows:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Stock Funds	\$ <u>5512</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5512</u>	\$ <u>6580</u>
Total Investments	\$ 5512	\$ -0-	\$ -0-	\$ 5512	\$ 6580

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 4 - RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
<u>Receivables:</u>			
Taxes	\$ 7166	\$ 4585	\$ 11751
Intergovernmental	967440	2913	970353
Other	<u>15110</u>	<u>0</u>	<u>15110</u>
Total Receivables	\$ <u>989716</u>	\$ <u>7498</u>	\$ <u>997214</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 4 – RECEIVABLES (CONTINUED)

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment not considered available	\$ -0-	\$ -0-
Payments received prior to meeting all eligibility requirements:	<u>-0-</u>	<u>-0-</u>
Total	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated:				
Land	\$ 6000	\$ -0-	\$ -0-	\$ 6000
Capital assets being depreciated:				
Land Improvements	652049	16822	-0-	668871
Building and building Improvements	15215383	35404	-0-	15250787
Buses and other vehicles	387878	-0-	-0-	387878
Furniture and equipment	<u>754138</u>	<u>47842</u>	<u>-0-</u>	<u>801980</u>
Subtotal	\$ 17009448	\$ 100068	\$ -0-	\$ 17109516
Accumulated Depreciation:				
Land Improvements	242129	33023	-0-	275152
Building and building Improvements	\$ 5475826	\$ 311361	\$ -0-	\$ 5787187

(Continued on page 65)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 5 – CAPITAL ASSETS (CONTINUED)

(Continued from previous page)

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Accumulated Depreciation: (Continued)				
Buses and other vehicles	\$ 273493	\$ 25922	\$ -0-	\$ 299415
Furniture and equipment	<u>521388</u>	<u>73023</u>	<u>-0-</u>	<u>594411</u>
Subtotal	<u>6512836</u>	<u>443329</u>	<u>-0-</u>	<u>6956165</u>
Net capital assets being depreciated	<u>10496612</u>	<u>(343261)</u>	<u>-0-</u>	<u>10153351</u>
Net capital assets	\$ <u>10502612</u>	\$ <u>(343261)</u>	\$ <u>-0-</u>	\$ <u>10159351</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Do To/From Other Funds:

There were no inter-fund receivables and payables as of June 30, 2007.

Operating Transfers

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2007, the School District authorized the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -0-	\$ 150000
Athletic Fund	<u>150000</u>	<u>-0-</u>
Totals	\$ <u>150000</u>	\$ <u>150000</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Summary by Fund Classification:</u>		
Major Funds	\$ -0-	\$ 150000
Non-Major Funds	<u>150000</u>	<u>-0-</u>
Totals	\$ <u>150000</u>	\$ <u>150000</u>

The General Fund transfers monies each year to support the Athletic program.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Other Financing Sources (Uses)

The transfers of cash between various School District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2007, there was no deferred revenue.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

<u>Type</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<u>Serial Bonds</u>				
1999 Issue	\$ 210000	\$ -0-	\$ 60000	\$ 150000
2003 Refunding Bonds	5055000	-0-	470000	4585000
2005 Refunding Bonds	3595000	-0-	25000	3570000
Michigan School Bond Loan Fund	874677	-0-	-0-	874677
Durant Resolution Package Bonds	31556	-0-	-0-	31556
Long-Term Employee Benefits	<u>406161</u>	<u>-0-</u>	<u>48370</u>	<u>357791</u>
Totals	\$ <u>10172394</u>	\$ <u>-0-</u>	\$ <u>603370</u>	\$ <u>9569024</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SERIAL BONDS PAYABLE

The original issue of school bonds (\$7600000) was sold to obtain funds to erect, furnish, and equip additions to the high school, east elementary, and Vulcan schools; remodel and equip the west elementary, Vulcan and high schools; erect covered walkways to connect the high school and east and west elementary schools; improve the high school site, and acquire additional land to expand the Vulcan school site.

Interest rates were 9.0% on bonds maturing (\$725000) by November 01, 1999; 7.0% on bonds maturing (\$1625000) thereafter by November 01, 2005; 7.1% on bonds (\$700000) thereafter by November 01, 2007; and 7.2% on bonds maturing (\$3500000) thereafter by November 01, 2017; and 7.25% on bonds maturing (\$1050000) thereafter.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The 1990 issue was refinanced in order to reduce future interest costs, with the issuance of 1993 Refunding Bonds. Then, in 2003, the School District issued 2003 Refunding Bonds, thus reducing interest costs again.

2003 REFUNDING BONDS

On March 13, 2003, the Norway-Vulcan Area Schools issued \$ 6,465,000 in the form of 2003 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of a prior bond issue of the School District. The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

The National City Bank of MI/IL serves as the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2007-08	\$ 81513	\$ 455000	\$ 81512	\$ 618025
2008-09	75484	440000	75484	590968

(Continued on page 73)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

(Continued from previous page)

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2009-10	\$ 68884	\$ 430000	\$ 68884	\$ 567768
2010-11	61896	415000	61895	538791
2011-12	54737	405000	54738	514475
2012-13	47549	400000	47549	495098
2013-14	40249	385000	40249	465498
2014-15	33030	375000	33030	441060
2015-16	25905	360000	25905	411810
2016-17	18795	355000	18795	392590
2017-18	11695	340000	11695	363390
2018-19	<u>4725</u>	<u>225000</u>	<u>4725</u>	<u>233450</u>
	\$ 524462	\$ 4585000	\$ 524461	\$ 5633923

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

1999 SCHOOL BUILDING AND SITE BONDS

On October 27, 1999, the **Norway-Vulcan Area Schools** issued \$ 3,810,000 in general obligation-unlimited tax bonds.

The Bonds were authorized at an election on September 27, 1999, for the purpose of erecting, furnishing, and equipping an addition (including an auditorium and gymnasium) and partially remodeling, refurnishing, and re-equipping the Norway-Vulcan Area School; acquiring and installing educational technology systems; and developing and improving the site. The Bonds pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The schedule of remaining principal and interest requirements on the 1999 Building and Site Bonds are as follows:

	<u>May 01</u>		<u>November 01</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2007	\$	\$	\$ 3882.50	\$ 3882.50	5.00%
2008	3882.50	70000.00	2080.00	75962.50	5.02%
2009	<u>2080.00</u>	<u>80000.00</u>	<u>.00</u>	<u>82080.00</u>	5.20%
Total	\$ <u>5962.50</u>	\$ <u>150000.00</u>	\$ <u>5962.50</u>	\$ <u>161925.00</u>	

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The non-refunding portion is to be paid by the School District. The payments of principal and interest began May 01, 2005 and will end on May 01, 2009.

The bonds to be refunded and paid by the escrow agent totaled \$ 3,315,000 for principal and \$ 2,752,360 for interest. The interest began on May 01, 2005 and principal will begin on May 01, 2010.

2005 REFUNDING BONDS

On March 15, 2005, the **Norway-Vulcan Area School District** issued \$ 3,595,000 in the form of 2005 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of the School District's outstanding 1999 School Building and Site Bonds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b) (3) (13) of the Internal Revenue code of 1986 as amended.

The Standard Federal-Corporate and Institutional Trust, a division of LaSalle Bank National Association is the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

Fiscal Year	Interest <u>November 01</u>	Principal <u>May 01</u>	Interest <u>May 01</u>	<u>Totals</u>
2007-08	\$ 70881.25	\$ 25000.00	\$ 70881.25	\$ 166762.50
2008-09	70506.25	25000.00	70506.25	166012.50
2009-10	70131.25	120000.00	70131.25	260262.50
2010-11	67731.25	130000.00	67731.25	265462.50
2012-12	65131.25	145000.00	65131.25	275262.50
2012-13	62593.75	160000.00	62593.75	285187.50
2013-14	59393.75	180000.00	59393.75	298787.50
2014-15	56243.75	195000.00	56243.75	307487.50
2015-16	52831.25	210000.00	52831.25	315662.50
2016-17	48631.25	220000.00	52831.25	317262.50
2017-18	44231.25	235000.00	44231.25	323462.50
2018-19	39531.25	275000.00	39531.25	354062.50
2019-20	34031.25	275000.00	34031.25	343062.50
2020-21	28531.25	275000.00	28531.25	332062.50
2021-22	22962.50	275000.00	22962.50	320925.00
2022-23	17325.00	275000.00	17325.00	309650.00
2023-24	11618.75	275000.00	11618.75	298237.50
2024-25	<u>5843.75</u>	<u>275000.00</u>	<u>5843.75</u>	<u>286687.50</u>
Totals	\$ <u>828150.00</u>	\$ <u>3570000.00</u>	\$ <u>828150.00</u>	\$ <u>5226300.00</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND

Pursuant to Section 16 of Article IX of Michigan Constitution of 1963, and Act 108, Public Acts of 1961, as amended, the School District has borrowed funds from the School Bond Loan fund in the State Treasury for the purpose of meeting the payment of principal and interest on its qualified school bonds.

In accordance with its bond ordinance, the school will borrow annually from the School Bond Loan Fund, until millage is sufficient to retire the current principal and interest on Issues Number 1 and 3.

Currently, the School District has borrowed a total of \$874,677 from the School Bond Loan Fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND (Continued)

In accordance with Section 9 of Act 108 of Public Acts of 1961, as amended, the rate of interest will represent the average interest rate (computed to the nearest one-eighth of one percent) paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1963.

DURANT SETTLEMENT

The Durant class-action lawsuit resulted in a judgment of \$212 million against the State of Michigan. The State mandated specific special education programs, but failed to compensate local districts for the increased costs of the mandated programs.

The local school districts that did not participate in the class-action lawsuit were offered a settlement in lieu of future litigation.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The Districts with settlement amounts greater than or equal to \$ 75,000 were to receive one-half of the settlement over a period of ten years beginning November 15, 1998.

Restrictions on the use of these funds are stated in 11f(6):school buses, electronic instructional material and software, school security, textbooks, technology, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

The School District opted to participate in a bonding program, whereby the School District would receive bond proceeds equal to the other half of the settlement amount (\$53,443). The bonds were issued through the Michigan Municipal Bond Authority as School Loan Revenue Bonds, Series 1998.

The proceeds of the bonds were to be used for capital expenditures and to pay costs of bond issuance, and were not to be used for maintenance cost.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The Durant bonds are considered to be a legal obligation of the School District and are recorded in the School District's General Long-term Debt. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the School District is under no obligation for payment.

SCHOOL IMPROVEMENT BOND, SERIES 1998

Repayment of the Principal Amount must be made according to the following schedule until the full Principal Amount is repaid.

In the event that the Authority elects to adjust the interest rates payable on the bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which will be sent to the School District and to the Authority's Depository.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

The Michigan Municipal Bond Authority has determined that certain payments of principal installments and interest which were due on May 15, 2007 and May 15, 2008 shall be deferred until a later date, which is reflected in the new payment schedule.

Payment Dates Due on May 15	Total Principal and Interest (Revised May 10, 2007)
2008	\$ 0.00
2009	3753.00
2010	25215.17
2011	3752.90
2012	3752.71
2013	<u>3752.66</u>
Total	\$ 40226.44

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

Total Settlement Amount of	\$106885.00
Bonded Settlement Amount of	\$ 53442.50
Annual Interest Rate is	4.761353%
Average Life of Bonds is	6.783 years

Long-Term Employee Benefits

Long-Term Sick Leave Payable \$ 357791

Total Long-Term Employee Benefits Payable \$ 357791

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three years.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees' Retirement system (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

MPERS provides retirement, survivor and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by calling (517) 322-5103 or by writing to:

**Department of Management and Budget
Office of Retirement Systems
P.O. Box 30673
Lansing, Michigan 48909-8103**

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District is required by state statute to contribute 16.34% of covered payroll from July 01, 2006 through September 30, 2006, increasing to 17.74% from October 01, 2006 through June 30, 2007. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the year ending June 30, 2007, 2006, and 2005, were \$671,954, \$627,236, and \$590,137 respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$ 5,000; 3.6% of \$5,001 through \$ 15,000; 4.3% of all wages over \$ 15,000.

Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2007, 2006, and 2005 were \$ 103,256, \$ 105,809, and \$108,178, respectively, equal to the required contributions for the year.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

NOTE 12 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 13 – SUBSEQUENT EVENTS

At fiscal year ended June 30, 2007, there were no other subsequent events that would have a significant affect on the School District's operations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The School District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2007

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

In addition, the School District is involved with pending litigation involving an employment issue arising from the termination of a probationary teacher.

Although the outcome of this matter has not yet been fully resolved, there exists a possibility that the School District could incur costs approximating \$ 115,000 in the resolution of this matter. Because of the uncertainty of the status of this claim, no liability has been recorded in the financial statements of the School District.

REQUIRED SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
Local Sources	\$ 1,015,177	\$ 1,106,677	\$ 1,129,506
State Sources	5,755,056	5,724,712	5,615,988
Federal Sources	144,286	144,286	130,608
Interdistrict and Other Sources	<u>21,000</u>	<u>22,255</u>	<u>26,279</u>
TOTAL REVENUE	\$ 6,935,519	\$ 6,997,930	\$ 6,902,381
<u>EXPENDITURES - CURRENT</u>			
<i>Instruction :</i>			
Basic Programs	4,127,876	4,231,712	4,097,196
Added Needs	633,168	673,252	637,638
Community Education	84,657	97,690	95,768
<i>Supporting Services :</i>			
Pupil	243,565	244,520	240,115
Instructional Staff	119,471	119,566	109,473
General Administration	219,929	194,930	189,586
School Administration	466,327	466,565	464,045
Business Services	125,249	116,249	103,237
Operation and Maintenance	720,932	638,060	627,044
Transportation	279,914	234,012	211,769
Other Supporting Services	-	-	-
Intergovernmental Payments	<u>52,000</u>	<u>33,000</u>	<u>27,380</u>
TOTAL EXPENDITURES	\$ 7,073,088	\$ 7,049,556	\$ 6,803,251
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	175,000	150,000	150,000
NET CHANGE IN FUND BALANCE	(312,569)	(201,626)	(50,870)
FUND BALANCE - BEGINNING OF YEAR	<u>2,435,127</u>	<u>2,435,127</u>	<u>2,435,127</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,122,558</u>	<u>\$ 2,233,501</u>	<u>\$ 2,384,257</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds			
	Food Service Fund	Bookstore Account	Athletic Activity Fund	Total
<u>ASSETS</u>				
Cash and Investments (Note 3)	\$ 14,745	\$ 4,009	\$ 11,262	\$ 30,016
Accounts Receivable (State)	2,913	-	-	2,913
Inventories	2,426	107	-	2,533
TOTAL ASSETS	<u>\$ 20,084</u>	<u>\$ 4,116</u>	<u>\$ 11,262</u>	<u>\$ 35,462</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
<u>FUND BALANCES</u>				
Reserved for Food Services	20,084	-	-	20,084
Reserved for Bookstore Activities		4,116		4,116
Reserved for Athletics	-		11,262	11,262
TOTAL FUND BALANCES	20,084	4,116	11,262	35,462
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,084</u>	<u>\$ 4,116</u>	<u>\$ 11,262</u>	<u>\$ 35,462</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Food Service Fund	Bookstore Account	Athletic Activity Fund	Total
<u>Revenue</u>				
Local Revenue	\$ 152,709	\$ 600	\$ 41,244	\$ 194,553
State Revenue	14,213			14,213
Federal Revenue	122,262			122,262
Total Revenue	\$ 289,184	\$ 600	\$ 41,244	\$ 331,028
<u>Expenditures</u>				
<u>Current:</u>				
Salaries	82,668	-	90,716	173,384
Insurance	7,823		756	8,579
Fringe Benefits	21,220		20,573	41,793
Purchased Services	4,224		38,817	43,041
Supplies and Materials	156,908	301	19,845	177,054
Capital Outlay	-		-	-
Other	1,358		10,871	12,229
Total Expenditures	274,201	301	181,578	456,080
Excess (Deficiency) of Revenues Over Expenditures	14,983	299	(140,334)	(125,052)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	150,000	150,000
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	150,000	150,000
Net Change in Fund Balances	14,983	299	9,666	24,948
FUND BALANCE - BEGINNING OF YEAR	5,101	3,817	1,596	10,514
FUND BALANCE - END OF YEAR	\$ 20,084	\$ 4,116	\$ 11,262	\$ 35,462

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>FOOD SERVICE FUND</u>	<u>BOOKSTORE ACCOUNT</u>	<u>ATHLETIC ACTIVITY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 14,745	\$ 4,009	\$ 11,262	\$ 30,016
Inventory	2,426	107	-	2,533
Accounts Receivable, State	2,913	-	-	2,913
TOTAL ASSETS	<u>\$ 20,084</u>	<u>\$ 4,116</u>	<u>\$ 11,262</u>	<u>\$ 35,462</u>
<u>FUND EQUITY</u>				
Fund Balance - Unreserved	20,084	4,116	11,262	35,462
TOTAL FUND EQUITY	<u>\$ 20,084</u>	<u>\$ 4,116</u>	<u>\$ 11,262</u>	<u>\$ 35,462</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

JUNE 30, 2007

	FOOD SERVICES FUND	BOOKSTORE ACCOUNT	ATHLETIC ACTIVITY FUND	TOTAL
<u>REVENUES</u>				
Sales	\$ 152,641	\$ 600	\$ 41,127	\$ 194,368
State Sources	14,213	-	-	14,213
Federal Sources	122,262	-	-	122,262
Interest	68	-	117	185
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	289,184	600	41,244	331,028
OTHER FINANCING SOURCES				
Transfers In	-	-	150,000	150,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES AND OTHER FINANCING SOURCES	289,184	600	191,244	481,028
<u>EXPENDITURES</u>				
Food Services	274,201	-	-	274,201
Bookstore	-	301	-	301
Athletic Activities	-	-	181,578	181,578
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	274,201	301	181,578	456,080
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	14,983	299	9,666	24,948
FUND BALANCE, JULY 1	5,101	3,817	1,596	10,514
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30	<u>\$ 20,084</u>	<u>\$ 4,116</u>	<u>\$ 11,262</u>	<u>\$ 35,462</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,862,481	\$ 2,028,789
Taxes Receivable	7,166	8,589
Accounts Receivable :		
Federal	14,516	-
State	967,440	1,028,852
Other	594	-
Due From Other Funds	-	10,758
Prepaid Expense	44,110	-
TOTAL ASSETS	<u>\$ 2,896,307</u>	<u>\$ 3,076,988</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	17,948	22,864
Salaries Payable	313,335	403,583
Accrued Benefits	180,767	215,414
TOTAL LIABILITIES	512,050	641,861
<u>FUND EQUITY</u>		
Fund Balance, Unreserved & Undesignated	<u>2,384,257</u>	<u>2,435,127</u>
TOTAL FUND EQUITY	2,384,257	2,435,127
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,896,307</u>	<u>\$ 3,076,988</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUES- ACTUAL COMPARED TO BUDGET

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
<u>LOCAL SOURCES</u>				
Current Tax Levy	\$ 849,577	\$ 862,677	\$ (13,100)	\$ 734,139
Penalties and Interest on Taxes	5,370	4,000	1,370	9,931
Other Taxes	-	9,000	(9,000)	73,526
Tuition	73,142	60,000	13,142	62,764
Interest Income	85,378	65,000	20,378	60,539
Other Local Revenue	116,039	106,000	10,039	85,134
 TOTAL REVENUES FROM LOCAL SOURCES	 \$ 1,129,506	 \$ 1,106,677	 \$ 22,829	 \$1,026,033
 <u>STATE SOURCES</u>				
State School Aid	5,413,858	5,507,498	(93,640)	5,424,407
Special Education	95,076	110,000	(14,924)	101,497
At Risk	91,281	91,441	(160)	111,629
State Aid Restricted/Durant	5,344	5,344	-	5,344
Middle School Math	10,429	10,429	-	-
 TOTAL REVENUES FROM STATE SOURCES	 \$ 5,615,988	 \$ 5,724,712	 \$ (108,724)	 \$5,642,877
 <u>FEDERAL SOURCES</u>				
Title I	93,290	101,263	(7,973)	125,164
Title II A	36,226	41,163	(4,937)	48,873
Title V	1,092	1,860	(768)	5,549
Technology Literacy Challenge	-	-	-	4,584
Handicapped Preschool & School Progr	-	-	-	3,640
Homeland Security Grant	-	-	-	1,334
 TOTAL REVENUES FROM FEDERAL SOURCES	 \$ 130,608	 \$ 144,286	 \$ (13,678)	 \$ 189,144

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUES – ACTUAL COMPARED TO
BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER FINANCING SOURCES</u>				
Payments From Other				
Governmental Units :				
Federal Sources	\$ 21,795	\$ 17,255	\$ 4,540	\$ 20,534
State Sources	4,484	5,000	(516)	8,110
Other Sources	-	-	-	-
TOTAL OTHER FINANCING SOURCES	\$ 26,279	\$ 22,255	\$ 4,024	\$ 28,644
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 6,902,381</u>	<u>\$ 6,997,930</u>	<u>\$ (95,549)</u>	<u>\$6,886,698</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

INSTRUCTION	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
BASIC PROGRAMS				
<u>Elementary</u>				
Professional Salaries	\$ 854,559	\$ -	\$ -	\$ 840,858
Nonprofessional Salaries	8,764			22,450
Insurance	214,562			210,917
FICA/Retirement	223,404	-	-	215,638
Other Benefits	3,093			2,029
Purchased Services	49,608			10,193
Supplies and Materials	69,619			32,773
Other	5,364	-	-	583
Total Elementary	\$ 1,428,973	\$ 1,464,211	\$ 35,238	\$1,335,441
<u>Middle School</u>				
Professional Salaries	741,113	-	-	802,567
Nonprofessional Salaries	464			-
Insurance	198,250			208,377
FICA/Retirement	187,026	-	-	192,985
Other Benefits	6,052			4,461
Purchased Services	28,037			5,061
Supplies and Materials	24,488			22,424
Capital Outlay	2,065			-
Other	2,050	-	-	1,869
Total Middle School	1,189,545	1,250,167	60,622	1,237,744
<u>High School</u>				
Professional Salaries	849,895	-	-	935,117
Nonprofessional Salaries	8,471			13,592
Insurance	243,763			247,675
FICA/Retirement	217,057			225,033
Other Benefits	1,204	-	-	1,093
Purchased Services	71,282			18,624
Supplies and Materials	60,146			45,902
Capital Outlay	23,905			-
Other	2,955	-	-	4,542
Total High School	\$ 1,478,678	\$ 1,517,334	\$ 38,656	\$1,491,578

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>INSTRUCTION</u> (Continued)				
BASIC PROGRAMS (Continued)				
<u>Non Public Programs - Shared Time</u>				
Purchased Services	\$ -	\$ -	\$ -	\$ 2,000
Total Non Public Programs - Shared Time	-	-	-	2,000
TOTAL BASIC PROGRAMS	\$ 4,097,196	\$ 4,231,712	\$ 134,516	\$4,066,763
 ADDED NEEDS				
<u>Special Education</u>				
Professional Salaries	221,391	-	-	234,387
Nonprofessional Salaries	23,088			1,609
Insurance	66,375			60,897
FICA/Retirement	57,690			56,309
Other Benefits	4,220	-	-	255
Purchased Services	45,933			33,852
Supplies and Materials	5,375			2,125
Other	1,343	-	-	829
Total Special Education	425,415	448,933	23,518	390,263
<u>Gifted and Talented</u>				
Supplies and Materials	-	-	-	-
Total Gifted and Talented	\$ -	\$ 250	\$ 250	\$ -

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

INSTRUCTION (Continued) ADDED NEEDS (Continued) <u>Compensatory Education</u> <u>Title I</u>	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
Professional Salaries	\$ 2,160	\$ -	\$ -	\$ 1,556
Nonprofessional Salaries	54,377			57,639
Insurance	4,941			11,816
FICA/Retirement	14,150			14,110
Other Benefits	4,061	-	-	1,905
Purchased Services	4,508			-
Supplies and Materials	7,354			20,766
Capital Outlay	-			4,276
Other	1,727	-	-	2,402
Total Compensatory Education	93,278	105,444	12,166	114,470
 <u>At Risk Program</u>				
Professional Salaries	76,559	-	-	82,519
Insurance	22,947			10,456
FICA/Retirement	19,439			19,004
Total At Risk Program	118,945	118,625	(320)	111,979
 TOTAL ADDED NEEDS	\$ 637,638	\$ 673,252	\$ 35,614	\$ 616,712
 COMMUNITY EDUCATION				
<u>Children's Enrichment</u>				
Professional Salaries	60,883	-	-	48,882
Nonprofessional Salaries	8,474			5,617
Insurance	-			73
FICA/Retirement	16,684	-	-	12,863
Purchased Services	4,294			1,137
Supplies and Materials	2,890			4,385
Other	2,543	-	-	668
Total Children's Enrichment	95,768	97,690	1,922	73,625
TOTAL COMMUNITY EDUCATION	\$ 95,768	\$ 97,690	\$ 1,922	\$ 73,625
 TOTAL INSTRUCTION	\$ 4,830,602	\$ 5,002,654	\$ 172,052	\$4,757,100

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES</u>				
<u>STUDENT SERVICES</u>				
<u>Guidance</u>				
Professional Salaries	\$ 93,861	\$ -	\$ -	\$ 91,349
Nonprofessional Salaries	10,938			8,853
Insurance	32,023			35,530
FICA/Retirement	26,346	-	-	23,788
Other Benefits	147			117
Supplies and Materials	436			-
Other	95	-	-	-
Total Guidance	163,846	165,691	1,845	159,637
<u>Health</u>				
Professional Salaries	21,710	-	-	21,129
Insurance	500			500
FICA/Retirement	5,462			5,017
Supplies and Materials	343	-	-	284
Total Health	28,015	28,423	408	26,930
<u>Speech</u>				
Purchased Services	44,831	-	-	41,494
Total Speech	44,831	45,000	169	41,494
<u>Homeland Security</u>				
Capital Outlay	-	-	-	1,334
Total Homeland Security	-	-	-	1,334
<u>Other Student Services</u>				
Purchased Services	1,104	-	-	157
Supplies and Materials	-			45
Other	2,319			3,707
Total Other Student Services	3,423	5,406	1,983	3,909
TOTAL STUDENT SERVICES	\$ 240,115	\$ 244,520	\$ 4,405	\$ 233,304

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

SUPPORTING SERVICES (Continued) INSTRUCTIONAL STAFF	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>Library</u>				
Professional Salaries	\$ 25,766	\$ -	\$ -	\$ 55,101
Nonprofessional Salaries	11,893			11,765
Insurance	18,288			18,840
FICA/Retirement	9,551			15,896
Other Benefits	53	-	-	78
Purchased Services	205			-
Supplies and Materials	6,275			9,370
Other	35	-	-	1,518
Total Library	72,066	76,543	4,477	112,568
<u>Title II A</u>				
Professional Salaries	21,257	-	-	28,111
Insurance	5,044			5,468
FICA/Retirement	5,377			6,742
Other Benefits	-	-	-	26
Purchased Services	4,337			4,853
Supplies and Materials	-			3,497
Other	300	-	-	340
Total Title II A	36,315	40,124	3,809	49,037
<u>Title II D</u>				
Supplies and Materials	-	-	-	-
Total Title II D	-	1,039	1,039	-
<u>Title V</u>				
Supplies and Materials	1,092			1,996
Capital Outlay	-	-	-	3,598
Total Title V	1,092	1,860	768	5,594
TOTAL INSTRUCTIONAL STAFF	\$ 109,473	\$ 119,566	\$ 10,093	\$ 167,199

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
GENERAL ADMINISTRATION				
<u>Board of Education</u>				
Insurance	4,979	-	-	5,241
Purchased Services	28,454			50,309
Other	6,869			9,317
Total Board of Education	40,302	38,992	(1,310)	64,867
<u>Executive Administration</u>				
Professional Salaries	98,095	-	-	94,000
Insurance	16,389			15,451
FICA/Retirement	24,424			22,013
Purchased Services	2,731			2,731
Supplies and Materials	1,978			2,488
Other	5,667	-	-	5,304
Total Executive Administration	149,284	155,938	6,654	141,987
TOTAL GENERAL ADMINISTRATION	\$ 189,586	\$ 194,930	\$ 5,344	\$ 206,854
 SCHOOL ADMINISTRATION				
<u>Office of the Principal</u>				
Professional Salaries	145,205	-	-	144,140
Nonprofessional Salaries	93,294			90,622
Insurance	71,481			72,560
FICA/Retirement	58,715	-	-	54,976
Purchased Services	89,136			89,975
Supplies and Materials	5,157			2,115
Other	1,057	-	-	1,743
Total Office of the Principal	464,045	466,565	2,520	456,131
TOTAL SCHOOL ADMINISTRATION	\$ 464,045	\$ 466,565	\$ 2,520	\$ 456,131

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
BUSINESS SERVICES				
<u>Fiscal Services</u>				
Nonprofessional Services	\$ 56,474	\$ -	\$ -	\$ 53,808
Insurance	19,473			20,613
FICA/Retirement	14,241			12,810
Purchased Services	2,108	-	-	-
Supplies and Materials	4,253			348
Capital Outlay	1,448			-
Other	5,240	-	-	17,322
TOTAL BUSINESS SERVICES	103,237	116,249	13,012	104,901
OPERATION AND MAINTENANCE				
Nonprofessional Salaries	174,099	-	-	169,859
Insurance	107,095			101,602
FICA/Retirement	43,053			39,257
Other Benefits	240	-	-	203
Purchased Services	258,451			264,560
Supplies and Materials	35,937			37,070
Capital Outlay	7,812			2,884
Other	357	-	-	1,171
TOTAL OPERATION AND MAINTENANCE	627,044	638,060	11,016	616,606
TRANSPORTATION				
Nonprofessional Salaries	38,627	-	-	37,517
Insurance	4,319			3,354
FICA/Retirement	9,367			8,673
Other Benefits	54	-	-	44
Purchased Services	137,977			142,470
Supplies and Materials	20,871			25,896
Other	554	-	-	1,800
TOTAL TRANSPORTATION	211,769	234,012	22,243	219,754
TOTAL SUPPORTING SERVICES	\$ 1,945,269	\$ 2,013,902	\$ 68,633	\$2,004,749
TOTAL EXPENDITURES	\$ 6,775,871	\$ 7,016,556	\$ 240,685	\$6,761,849

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER FINANCING USES</u>				
<u>Fund Modifications</u>				
Transfer To Athletics	\$ 150,000	\$ 150,000	\$ -	\$ 165,300
Total Fund Modifications	150,000	150,000	-	165,300
<u>Payment To Other Governmental Units</u>				
Tuition	17,703	23,000	5,297	15,870
Consortium Charges	9,677	10,000	323	12,177
Total Payment To Other Governmental Units	27,380	33,000	5,620	28,047
 TOTAL OTHER FINANCING USES	 \$ 177,380	 \$ 183,000	 \$ 5,620	 \$ 193,347
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 6,953,251	 \$ 7,199,556	 \$ 246,305	 \$6,955,196

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – FOOD SERVICE - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 14,745	\$ 10,531
Accounts Receivable, State	2,426	2,147
Inventory	<u>2,913</u>	<u>2,598</u>
TOTAL ASSETS	<u>\$ 20,084</u>	<u>\$ 15,276</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due to Other Funds	<u>-</u>	<u>10,175</u>
TOTAL LIABILITIES	-	10,175
<u>FUND EQUITY</u>		
Fund Balance - Unreserved	<u>20,084</u>	<u>5,101</u>
TOTAL FUND EQUITY	20,084	5,101
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 20,084</u>	<u>\$ 15,276</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – FOOD SERVICE - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007

(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
Student Breakfast / Lunches	\$103,309	\$ -	\$ -	\$104,180
Adult Lunches	5,040			4,955
Milk	808			742
Ala Carte	43,438			57,790
Interest	68			73
Miscellaneous	46	-	-	57
Total Local Sources	152,709	168,525	(15,816)	167,797
State Sources				
School Lunch Program	14,213	11,000	3,213	11,795
Federal Sources				
Federal Aid	113,471			104,677
USDA Commodities/Bonus	8,791			13,088
Total Federal Sources	122,262	130,000	(7,738)	117,765
TOTAL REVENUES	\$289,184	\$309,525	\$ (20,341)	\$297,357
<u>EXPENDITURES</u>				
Nonprofessional Salaries	82,668	-	-	83,259
Insurance	7,823			13,872
FICA/Retirement	20,260			18,708
Other Benefits	960			960
Purchased Services	4,224			4,027
Supplies and Materials	156,908			177,310
Capital Outlay	-			1,026
Other Costs	1,358	-	-	1,198
TOTAL EXPENDITURES	\$274,201	\$284,525	\$ 10,324	\$300,360
Excess of Revenues Over Expenditures	14,983	25,000	(10,017)	(3,003)
FUND BALANCE, JULY 1	5,101			8,104
FUND BALANCE, JUNE 30	<u>\$ 20,084</u>			<u>\$ 5,101</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 4,009	\$ 3,442
Inventory	<u>107</u>	<u>375</u>
TOTAL ASSETS	<u>\$ 4,116</u>	<u>\$ 3,817</u>
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>4,116</u>	<u>3,817</u>
TOTAL FUND EQUITY	<u>\$ 4,116</u>	<u>\$ 3,817</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	<u>FISCAL YEAR ENDED JUNE 30, 2007</u>			FISCAL YEAR ENDED 6/30/06
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<u>REVENUES</u>				
Sales	\$ 600	\$ 600	\$ -	\$ 1,086
TOTAL REVENUES	600	600	-	1,086
<u>EXPENDITURES</u>				
Supplies and Materials	301	33	(268)	861
TOTAL EXPENDITURES	301	33	(268)	861
Excess of Revenues Over (Under) Expenditures	299	567	(268)	225
FUND BALANCE, JULY 1	3,817			3,592
FUND BALANCE, JUNE 30	<u>\$ 4,116</u>			<u>\$ 3,817</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – ATHLETIC ACTIVITY FUND – COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	<u>\$ 11,262</u>	<u>\$ 1,596</u>
TOTAL ASSETS	<u>\$ 11,262</u>	<u>\$ 1,596</u>
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>11,262</u>	<u>1,596</u>
TOTAL FUND EQUITY	<u>\$ 11,262</u>	<u>\$ 1,596</u>

The notes to the financial statements are an integral art of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – ATHELTIC ACTIVITY FUND - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES				
Local Sources				
General Admissions and Other Interest	\$ 41,127 117	\$ -	\$ -	\$ 39,841 100
Total Local Sources	41,244	33,453	7,791	39,941
Other Financing Sources				
Transfer from General Fund	150,000	165,000	(15,000)	165,300
TOTAL REVENUES AND OTHER FINANCING SOURCES	191,244	198,453	(7,209)	205,241
EXPENDITURES				
Professional Salaries	75,659	-	-	73,455
Nonprofessional Salaries	15,057			18,094
Insurance	756			8,387
FICA/Retirement	20,573			20,550
Purchased Services	38,817			47,293
Supplies and Materials	19,845			25,131
Other Costs	10,871	-	-	11,865
TOTAL EXPENDITURES	\$181,578	\$216,683	\$ 35,105	\$204,775
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	9,666	(18,230)	27,896	466
FUND BALANCE, JULY 1	1,596			1,130
FUND BALANCE, JUNE 30	\$ 11,262			\$ 1,596

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

DEBT RETIREMENT FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 116,613	\$ 145,077
Delinquent Taxes Receivable	<u>4,585</u>	<u>3,953</u>
TOTAL ASSETS	<u>\$ 121,198</u>	<u>\$ 149,030</u>
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>121,198</u>	<u>149,030</u>
TOTAL FUND EQUITY	<u>\$ 121,198</u>	<u>\$ 149,030</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**DEBT RETIRMENT FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>Local Sources</u>		
Property Taxes	\$ 967,562	\$ 914,489
Interest & Penalties on Taxes	4,396	8,102
Other Taxes	16,582	29,023
Interest on Investments	29,641	17,350
Miscellaneous Revenue	478	-
	<hr/>	<hr/>
Total Local Sources	\$ 1,018,659	\$ 968,964
<u>State Sources</u>		
Durant	<u>\$ -</u>	<u>\$ 3,753</u>
	<hr/>	<hr/>
Total State Sources	\$ -	\$ 3,753
TOTAL REVENUES	\$ 1,018,659	\$ 972,717
<u>EXPENDITURES</u>		
Principal	555,000	527,587
Interest	490,231	363,003
Other	1,260	750
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 1,046,491	\$ 891,340
 Excess of Revenues Over (Under) Expenditures	 (27,832)	 81,377
 FUND BALANCE, JULY 1 BEFORE ADJUSTMENT	 149,030	 3,627,442
 Adjustment to Account for Defeasance of Debt	 -	 (3,559,789)
	<hr/>	<hr/>
FUND BALANCE, JULY 1 AFTER ADJUSTMENT	149,030	67,653
 FUND BALANCE, JUNE 30	 <u>\$ 121,198</u>	 <u>\$ 149,030</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,354,586	\$ 1,342,920
TOTAL ASSETS	<u>\$ 1,354,586</u>	<u>\$ 1,342,920</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due To Other Funds	-	583
TOTAL LIABILITIES	-	583
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	1,354,586	1,342,337
TOTAL FUND EQUITY	1,354,586	1,342,337
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,354,586</u>	<u>\$ 1,342,920</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparable Totals for Fiscal Year Ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Interest	\$ 62,803	\$ 38,864
Miscellaneous	<u>14,284</u>	<u>20,650</u>
TOTAL REVENUES	\$ 77,087	\$ 59,514
 <u>EXPENDITURES</u>		
Other Expenditures	-	18
Capital Outlay	<u>64,838</u>	<u>83,605</u>
TOTAL EXPENDITURES	\$ 64,838	\$ 83,623
 Excess of Revenues Over (Under) Expenditures	 12,249	 (24,109)
 FUND BALANCE, JULY 1	 <u>1,342,337</u>	 <u>1,366,446</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,354,586</u></u>	<u><u>\$ 1,342,337</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**TRUST AND AGENCY FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND
FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>BALANCE JUNE 30, 2006</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2007</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 323,362	\$ 231,341	\$ 175,694	\$ 379,009
Investments	5,512	-	-	5,512
TOTAL ASSETS	<u>\$ 328,874</u>	<u>\$ 231,341</u>	<u>\$ 175,694</u>	<u>\$ 384,521</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Student Activities	91,042	143,650	145,929	88,763
TOTAL LIABILITIES	91,042	143,650	145,929	88,763
<u>FUND EQUITY</u>				
Scholarship Accounts	237,832	87,691	29,765	295,758
TOTAL FUND EQUITY	<u>237,832</u>	<u>87,691</u>	<u>29,765</u>	<u>295,758</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 328,874</u>	<u>\$ 231,341</u>	<u>\$ 175,694</u>	<u>\$ 384,521</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

AGENCY FUNDS – STATEMENT OF RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

	BALANCE 6/30/2006	RECEIPTS	DISBURSEMENTS	BALANCE 6/30/2007
<u>ASSETS</u>				
Cash and Deposits	<u>\$ 91,042</u>	<u>\$ 143,650</u>	<u>\$ 145,929</u>	<u>\$ 88,763</u>
<u>LIABILITIES</u>				
Youth in Government	\$ 320	\$ -	\$ -	\$ 320
SADD	950	270	513	707
Central Office	500	468	468	500
School Improvement	448	-	-	448
Special Interest	15,532	1,158	-	16,690
Library	580	164	43	701
E.E. Flower Fund	20	460	400	80
NVEA School	2,351	1,575	1,606	2,320
Surplus Fund	6,008	868	-	6,876
German Class	2,613	15,520	15,337	2,796
Class of 2005	867	-	867	-
Class of 2006	1,502	-	178	1,324
Class of 2007	1,722	2,562	3,788	496
Class of 2008	1,814	1,938	3,164	588
Class of 2009	1,661	175	78	1,758
Class of 2010	1,809	100	146	1,763
Class of 2011	1,601	2,816	2,698	1,719
Class of 2012	767	1,422	877	1,312
Class of 2013	340	916	1,110	146
Class of 2014	-	916	545	371
Varsity Cheerleaders	4,774	11,097	11,927	3,944
Forensics	1,414	-	-	1,414
Athletics	7,786	18,663	20,827	5,622
Art Club	743	3,104	2,837	1,010
Community Schools	232	-	-	232
NHS Student Council	96	9,191	8,872	415
Annual	4,423	7,553	7,273	4,703
Elementary School	5,007	3,697	5,907	2,797
Middle School	3,690	15,740	18,775	655
Junior High Student Council	662	1,965	2,159	468
Middle School Instrumental	711	3,830	3,528	1,013
High School Band	335	5,720	5,732	323
Vocal Music	-	4,148	3,701	447
General Account	7,429	14,022	10,240	11,211
Industrial Arts	1,646	-	-	1,646
Key Club	855	2,848	2,766	937
Wrestling Club	2,332	1,343	440	3,235
Junior High Cheerleaders	\$ 347	\$ -	\$ -	\$ 347

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**AGENCY FUNDS – STATEMENT OF RECEIPTS AND DISBURSEMENTS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>BALANCE 6/30/2006</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE 6/30/2007</u>
Drama	\$ 1,323	\$ 3,119	\$ 1,802	2,640
Tech Prep	2,685	-	-	2,685
Video Editing	201	-	-	201
Middle School SADD	124	-	-	124
NHS Girls Basketball	1,080	537	1,412	205
NHS Football	1,271	5,745	5,913	1,103
NHS Boys Basketball	471	-	-	471
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 91,042</u>	<u>\$ 143,650</u>	<u>\$ 145,929</u>	<u>\$ 88,763</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

PROPERTY TAX DATA

FOR THE YEAR ENDED JUNE 30, 2007

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2007</u>
GENERAL FUND			
2006-07	\$ 849,577	\$ 846,585	\$ 2,992
2005-06	734,139	733,522	617
2004-05	715,402	714,364	1,038
2003-04	674,667	672,507	2,160
2002-03	<u>673,628</u>	<u>673,269</u>	<u>359</u>
TOTAL GENERAL FUND	\$ 3,647,413	\$ 3,640,247	\$ 7,166
DEBT RETIREMENT FUND			
2006-07	\$ 967,562	\$ 964,857	\$ 2,705
2005-06	914,489	913,989	500
2004-05	896,816	896,171	645
2003-04	849,422	849,067	355
2002-03	<u>789,849</u>	<u>789,469</u>	<u>380</u>
TOTAL DEBT RETIREMENT	\$ 4,418,138	\$ 4,413,553	\$ 4,585
TOTAL ALL FUNDS	<u>\$ 8,065,551</u>	<u>\$ 8,053,800</u>	<u>\$ 11,751</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the **Norway-Vulcan Area School District**, Norway, Michigan's basic financial statements, and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Norway-Vulcan Area School District**, Norway, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as there is more than a remote likelihood that a misstatement of the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control. We consider the deficiencies described as (2007-01, 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2005-02) in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

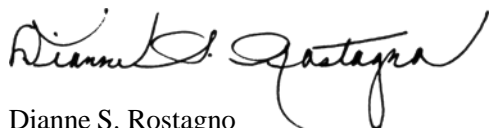
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **Norway-Vulcan Area School District**, Norway, Michigan, in a separate letter dated November 12, 2007.

The **Norway-Vulcan Area School District**, Norway, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the **Norway-Vulcan Area School District**, Norway, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 12, 2007

NORWAY-VULCAN AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2007

Significant Deficiencies

2007-01 Student Activities – Receipting Process

Findings: There are no adequate procedures consistently followed for receiving monies.

Response: The School District personnel will implement procedures to help improve the internal control.

2007-02 Student Activities – Cash Receipts (Timely Deposits)

Findings: The School District personnel are not consistently making timely deposits to the bank.

Response: The School District will begin to enforce the timeliness of all deposits.

2007-03 Student Activities – Cash Receipts (Segregation of Duties)

Findings: There is a lack of segregation of duties within the cash receipt area.

Response: The School District will implement procedures to help improve the internal control over cash receipts.

2007-04 Student Activities – Support for Cash Disbursements

Findings: In several instances, the check copies were the sole documentation being retained in support of the disbursements.

Response: The School District will implement procedures to help improve the internal control.

2007-05 Cash on Hand

Findings: Checks are being cashed utilizing cash from deposits not yet brought to the bank. In addition, cash is being maintained in an unrecorded petty cash account.

Response: The School District will enforce the recording of all accounts held by the District.

2007-06 Community Schools – Cash Receipts

Findings: There were numerous receipts found with no supporting documentation.

Response: The School District will implement procedures to help improve the internal control over cash receipts.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

Significant Deficiencies (Continued)

2005-02 Student Activities

Findings: Advisors or the person in charge are currently maintaining their own ledgers detailing the amounts of earnings, expenditures, and year-end balances in their accounts. They are being provided detailed print-outs by School District personnel. Each group needs to maintain their own set of records.

Response: The School District will continue its efforts to assure that every group activity comply with the requirement, without exception.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
Norway, Michigan 49870

In planning and performing the audit of the financial statements of the **Norway-Vulcan Area School District**, Norway, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Norway-Vulcan Area School District**, Norway, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

MATERIAL WEAKNESS

There are no matters to report.

SIGNIFICANT DEFICIENCIES

New Comments

STUDENT ACTIVITIES

Receipting Process

2007-01 Findings

The audit process disclosed that there were no adequate procedures being followed for receiving monies in the high school office. In addition, the receipts were not bound, pre-numbered, three-part receipts. This was identified as a serious weakness in internal control to be remedied without delay.

Recommendation

It was recommended that the following procedures be implemented to greatly improve internal control:

Any monies received in the office must be accompanied by a completed cash reconciliation sheet noting cash and checks to be deposited. All deposits must be made intact. Care needs to be taken when completing the cash reconciliation sheets, as this is a major link in internal accounting controls.

Checks should be immediately endorsed when they are received, and a receipt recorded in a pre-numbered, three-part receipt book. Type of payment (cash or check) should always be indicated on the receipt. Checks should be deposited to the bank on a timely basis. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

Cash Receipts: Making Timely Deposits

2007-02 Findings

Our audit testing in the area of cash receipts revealed that School's personnel are not consistently making timely deposits to the bank. This practice opens the School to the threat of a loss or theft of cash while it is on the premises.

Recommendation

To strengthen internal controls in this area, we suggest that during time of heavy cash inflow deposits to the bank be made on a daily basis. During periods of less cash inflows, we recommend that cash be deposited at the bank no less than once a week. This practice will firmly strengthen the School's internal control process over cash receipts and greatly lessen the likelihood that cash could be lost or stolen before it is deposited in the bank.

Cash Receipts: Segregation of Duties

2007-03 Findings

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely-related functions in the cash receipts system of the School will result in much greater internal control in this particular area. To achieve this control, certain duties involving receipts should be handled by more than one member of the School's personnel.

Cash Receipts: Segregation of Duties (Continued)
2007-03 Findings (Continued)

Recommendation

We recommend that the following procedures be implemented immediately:

- One employee should open the mail and receive monies for deposit, verifying that supporting documents are provided for all receipts, reconciling total deposit and breakdown of cash, checks, and money orders, etc. making up the deposit. They should then restrictively endorse all items received as “for deposit only”. This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

Support for Cash Disbursements Needed
2007-04 Findings

In several instances, we noted that check copies were the sole documentation retained in support of disbursements. There were also instances where a statement showing a total of the amount due was attached, however, the detail of what was being paid was not provided.

Recommendation

To provide adequate disbursement documentation, a copy of the invoice should be retained for each disbursement. Absolutely no checks should be issued in the absence of supporting documentation. Requests for reimbursement must also include supporting documentation. We suggest that this practice be implemented immediately.

CASH ON HAND
2007-05 Findings

Small miscellaneous revenue checks are being cashed utilizing cash from deposits not yet brought to the bank. Therefore, deposits are not being deposited intact. The cash is being maintained in an unrecorded petty cash account. There is no accounting for the activity in this account.

Recommendation

All petty cash accounts are to be recorded by the School District. Every deposit must be deposited intact. The cashing of checks is prohibited. There must be an accounting of all revenues and expenditures.

COMMUNITY SCHOOLS

Cash Receipts: Lack of Documentation

2007-06 Findings

While performing the audit of cash receipts for the Community Schools, we found numerous receipts with no supporting documentation. Attendance records, sign-in sheets, and participation rosters for the various Community School programs were nonexistent. Therefore, there are no means with which to verify the revenue generated by the various Community Schools programs.

Recommendation

To provide better documentation and stronger accounting controls over cash receipts, we recommend every receipt be accompanied by documentation without exception.

Significant Deficiencies Communicated in Prior Years

STUDENT ACTIVITIES

2005-02 Findings

Problem

In conjunction with the prior audits, we noted that all records pertaining to the various student activities were reported and maintained by School District office personnel. Student groups generally lack the knowledge of the amount of earnings, expenditures, and year-end balances in their accounts. Therefore, there is no method to confirm transactions or balances in any group activity. Detection of clerical errors or fraud would be far more difficult.

Recommendation

It was recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of audit.

Signature of group advisors should be provided at year-end to confirm their agreement with these accounting records.

Every group activity should be required to comply with this requirement, without exception.

Resolution

Although a very small number of groups have complied, this problem is not yet resolved. Every group activity is not currently complying with the past recommendations that each group needs to maintain its own detailed ledger.

Current Recommendation

The District should strictly implement the prior recommendation. It is recommended that compliance be maintained on a quarterly basis, and those persons not in full compliance be notified of this fact and attempts be made to remedy this issue.

OTHER MATTERS

New Comments

Purchase Orders

2007-07 Findings

The School's policy regarding purchase orders is not consistently being followed by all School employees. The purchase orders must be completed and signed by the appropriate School employee before the order can be placed.

Recommendation

The School's policy for purchase orders needs to be followed by all School employees without exception.

Scholarship Fund

2007-08 Findings

The scholarship fund is not being maintained by the School District. Currently, the bank is preparing the print-out listing the receipts and disbursements but is not date sensitive. In addition, dates are not always being recorded.

Recommendation

School personnel must reconcile with the bank quarterly and resolve any discrepancies, so that the financial statements and general ledgers are complete.

Matters Communicated in Prior Years

BUDGETARY

2005-01 Findings

During the fiscal years ended June 30, 2005, and June 30, 2006, the School District incurred several expenditures which were in excess of amounts appropriated.

Recommendation

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

Resolution

During the 2006-2007 fiscal year, the District incurred several expenditures which were in excess of budgeted allowances.

Current Recommendation

Closer monitoring is required in regards to budgetary appropriations and expenditures.

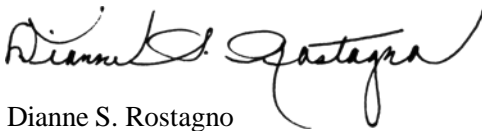
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This letter does not affect our report dated November 12, 2007 on the financial statements of the **Norway-Vulcan Area School District**, Norway, Michigan. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate school administration and staff, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 12, 2007